



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Office of the Auditor General of Ontario
Financial Statements
For the Year Ended March 31, 2008



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2008 are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian generally accepted accounting principles.

To ensure the integrity and objectivity of the financial data, management maintains a system of internal controls that provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded, and financial information is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles L.L.P., Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

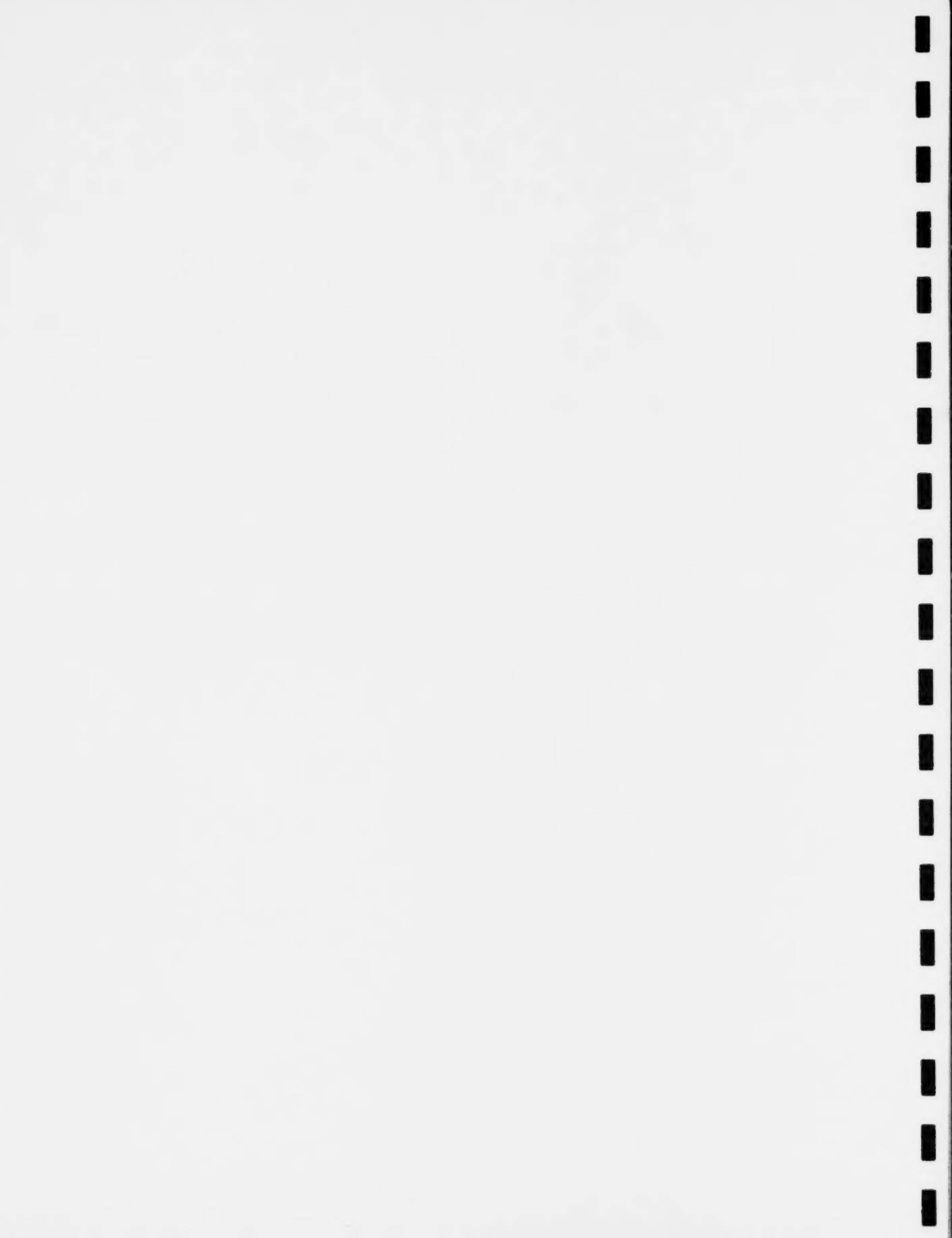
Jim McCarter, CA
Auditor General

Gary R. Peall, CA
Deputy Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15^e étage
20 rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca





ADAMS & MILES LLP
Chartered Accountants

501-2550 Victoria Park Ave.
Toronto, ON M2J 5A9
Tel 416 502.2201
Fax 416 502.2210

200-195 County Court Blvd.
Brampton, ON L6W 4P7
Tel 905 459.5605
Fax 905 459.2893

AUDITOR'S REPORT

To the Board of Internal Economy
of The Legislative Assembly of Ontario

We have audited the statement of financial position of the Office of the Auditor General of Ontario as at March 31, 2008 and the statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the management of the Office of the Auditor General of Ontario. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information is unaudited and not considered as part of the financial statements on which we have expressed our opinion.

Adams & Miles LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
August 8, 2008

Office of the Auditor General of Ontario

Statement of Financial Position

As at March 31, 2008

	2008 \$	2007 \$
Assets		
Current		
Cash	521,868	337,829
Due from Consolidated Revenue Fund	374,144	365,969
	<u>896,012</u>	<u>703,798</u>
Capital Assets (Note 3)	598,271	564,876
Total assets	<u>1,494,283</u>	<u>1,268,674</u>
Liabilities		
Accounts payables and accrued liabilities	1,680,012	1,171,798
Accrued employee benefits obligation [Note 4(B)]	2,014,000	1,995,000
Net assets (Accumulated deficit)		
Investment in capital assets (Note 3)	598,271	564,876
Accumulated deficit [Note 2(B)]	(2,798,000)	(2,463,000)
	<u>(2,199,729)</u>	<u>(1,898,124)</u>
Total liabilities and accumulated deficit	<u>1,494,283</u>	<u>1,268,674</u>

Commitment (Note 5)

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:



Jim McCarter
Auditor General



Gary Peall
Deputy Auditor General

Office of the Auditor General of Ontario
Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2008

	2008 Budget \$	2008 Actual \$	2007 Actual \$
Revenue			
Consolidated Revenue Fund - Voted appropriation	15,307,600	15,307,600	13,992,200
Expenses			
Salaries and wages	9,264,300	8,088,057	7,205,845
Employee benefits (Note 4)	2,097,900	1,910,786	1,554,185
Office rent	1,024,000	1,047,624	984,551
Professional and other services	1,497,400	1,525,747	1,263,785
Amortization of capital assets	—	276,514	250,829
Travel and communication	389,400	397,196	363,367
Training and development	253,000	201,882	132,385
Supplies and equipment	344,600	159,485	97,171
Transfer payment: CCAF-FCVI Inc.	50,000	50,000	50,000
Statutory expenses: <i>Auditor General Act</i>	297,000	322,449	362,564
<i>Government Advertising Act</i>	90,000	21,770	37,456
Total expenses (Note 7)	15,307,600	14,001,510	12,302,138
Excess of revenue over expenses		1,306,090	1,690,062
Less: returned to the Province		(1,607,695)	(1,729,934)
Net deficiency of revenue over expenses (Note 2B)		301,605	39,872
Accumulated deficit, beginning of year		1,898,124	1,858,252
Accumulated deficit, end of year		2,199,729	1,898,124

See accompanying notes to financial statements.



Office of the Auditor General of Ontario

Statement of Cash Flows

For the Year Ended March 31, 2008

	2008 \$	2007 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Net deficiency of revenue over expenses	(301,605)	(39,872)
Amortization of capital assets	276,514	250,829
Accrued employee benefits obligation	19,000	185,000
	<u>(6,091)</u>	<u>395,957</u>
Changes in non-cash working capital		
Decrease (increase) in due from Consolidated Revenue Fund	(8,175)	160,483
Increase (decrease) in accounts payable and accrued liabilities	508,314	(133,846)
	<u>500,039</u>	<u>26,637</u>
Investing activities		
Purchase of capital assets	<u>(309,909)</u>	<u>(259,957)</u>
Net increase (decrease) in cash position	184,039	162,637
Cash position, beginning of year	337,829	175,192
Cash position, end of year	<u>521,868</u>	<u>337,829</u>

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2008

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office of the Auditor General promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Auditor General is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

As required by the *Fiscal Transparency and Accountability Act, 2004*, the Auditor General was also required to review and report on the reasonableness of the 2007 Pre-Election Report prepared by the Ministry of Finance.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the approved appropriation was prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets and the recognition of employee benefit costs earned to date but that will be funded from future appropriations.

(C) CAPITAL ASSETS

Capital assets are recorded at historical cost less accumulated amortization. Amortization of capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2008

2. Significant Accounting Policies (Continued)

(D) FINANCIAL INSTRUMENTS

The Office adopted the Canadian Institute of Chartered Accountants (CICA) new accounting standards pertaining to financial instruments which establish guidance for the recognition and measurement of financial assets and liabilities and how financial instrument gains and losses should be accounted for. Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

Under this standard, all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

Due to the nature of the Office's financial assets and liabilities, these new standards did not have an impact on their carrying values. Accordingly,

- Cash is classified as held for trading and is recorded at fair value.
- Due from Consolidated Revenue Fund is classified as loans and receivables and is valued at cost which approximates fair value given its short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at cost which approximate fair value given their short term maturities.
- The accrued employee benefits obligation is classified as another financial liability and is recorded at cost based on the entitlements earned by employees up to March 31, 2008. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made.

It is management's opinion that the Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

(E) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2008

3. Capital Assets

	2008		2007
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Computer hardware	568,933	366,070	202,863
Computer software	195,331	121,494	73,837
Furniture and fixtures	268,705	111,591	157,114
Leasehold improvements	228,226	63,769	164,457
	1,261,195	662,924	598,271
			564,876

Investment in capital assets represents the accumulated cost of capital assets less accumulated amortization and disposals.

4. Obligation for Future Employee Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. These benefits are accounted for as follows:

(A) PENSION BENEFITS

The Office provides pension benefits for its full-time employees through participation in the Public Service Pension Fund (PSPF), which is a multi-employer defined benefit plan established by the Province of Ontario. As the Office has insufficient information to apply defined benefit plan accounting, the pension expense represents the Office's contributions to the plan for current service of employees during this fiscal year and any additional employer contributions for service relating to prior years. The Office's contributions related to the pension plan for the year were \$599,451 (2007 – \$536,635) and are included in employee benefits in the Statement of Operations and Accumulated Deficit.

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2008

4. Obligation for Future Employee Benefits (Continued)

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

Although the costs of any legislated severance and unused vacation entitlements earned by employees are recognized by the Province when earned by eligible employees, these costs are also recognized in these financial statements. These costs for the year amounted to \$346,000 (2007 – \$290,000) and are included in employee benefits (and statutory expenses in 2007) in the Statement of Operations and Accumulated Deficit. The total liability for these costs is reflected in the accrued employee benefits obligation, less any amounts payable within one year, which are included in accounts payable and accrued liabilities, as follows:

	2008 \$	2007 \$
Total liability for severance and vacation	2,798,000	2,463,000
Less: Due within one year and included in accounts payable and accrued liabilities	(784,000)	(468,000)
Accrued employee benefits obligation	2,014,000	1,995,000

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

5. Commitment

The Office has an operating lease to rent premises for an 11-year period, which commenced November 1, 2000. The minimum rental commitment for the remaining term of the lease is as follows:

	\$
2008-09	525,369
2009-10	525,369
2010-11	525,369
2011-12	306,465

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2008

6. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of Ontario public-sector employees paid an annual salary in excess of \$100,000 in calendar year 2007.

Name	Position	Salary	Taxable Benefits
		\$	\$
McCarter, Jim	Auditor General	224,794.44	3,928.00
Peall, Gary	Deputy Auditor General	171,132.05	280.28
Amodeo, Paul	Director	125,281.74	219.76
Cheung, Andrew	Director	125,281.74	219.76
Chiu, Rudolph	Director	114,369.40	194.72
Fitzmaurice, Gerard	Director	128,251.74	219.76
Klein, Susan	Director	122,490.01	217.04
Mazzone, Vince	Director	114,051.64	195.96
McDowell, John	Director	125,281.74	219.76
Mishchenko, Nicholas	Director	125,281.74	219.76
Sciarra, John	Director of Operations	115,556.40	194.72
Bell, Laura	Audit Manager	102,229.27	176.16
Mok, Rita	Audit Manager	102,229.27	176.16
Wiebe, Annemarie	Manager, Human Resources	102,229.27	176.16

7. Reconciliation to Public Accounts Volume 1 Basis of Presentation

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for the Province's financial statements, under which purchases of computers and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. Volume 1 also excludes the accrued employee future benefit costs recognized in these financial statements as well as in the Province's summary financial statements. A reconciliation of total expenses reported in volume 1 to the total expenses reported in these financial statements is as follows:

	2008 Actual \$	2007 Actual \$
Total expenses per Public Accounts Volume 1	13,699,905	12,262,266
Less: purchase of capital assets	(309,909)	(259,957)
Add: amortization of capital assets	276,514	250,829
change in accrued future employee benefit costs	335,000	49,000
Total expenses per audited financial statements	14,001,510	12,302,138

